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UNCLAS ROME 001853

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SUBJECT: STEEL 201: ITALY NOT EXERCIZED

REF: STATE 65823

1. (SBU) SUMMARY. THE GOI CONTINUES TO SPEAK WITH RESTRAINT ABOUT USG STEEL SAFEGUARDS -- DEFENDING LIMITED EU RESPONSIVE SAFEGUARDS AND LOOKING TO BRUSSELS FOR A LEGAL OPINION ON THE WTO-CONSISTENCY OF RETALIATION BUT AT THE SAME TIME CALLING FOR AVOIDANCE OF A PROTECTIONIST SPIRAL AND FOREGOING STRIDENT RHETORIC. ITALIAN INDUSTRY IS WATCHFUL BUT IS NOT PUSHING THE GOI TO ACT. THE PRESS DOESN'T TREAT STEEL AS A MAJOR STORY. END SUMMARY.

2. (SBU) ITALIAN DEPUTY MINISTER FOR FOREIGN TRADE ADOLFO URSO SET THE TONE OF GOI REACTION TO USG STEEL SAFEGUARDS SHORTLY AFTER THEIR IMPLEMENTATION WHEN HE SAID THE EUROPEAN STEEL GLUT HAD BEEN CAUSED IN GOOD MEASURE BY THE "INDULGENT" EU MARKET ACCESS CONCESSIONS EXTENDED TO EU CANDIDATE STATES. IN APRIL 9 PRESS COMMENTS, URSO DEFENDED EU STEEL SAFEGUARDS BUT CONTINUED TO URGE RESTRAINT, SAYING, "THE MEASURES ADOPTED BY THE EUROPEAN COMMISSION ARE NECESSARY, PRECISELY TO FORCE THE UNITED STATES TO GO FOR THE POLITICAL SOLUTION WE HAVE ALWAYS ADVOCATED AND PURSUED...BUT A PROTECTIONIST SPIRAL MUST AT ALL COSTS BE PREVENTED (TO AVOID JEOPARDIZING) THE NEGOTIATING ROUND SET IN MOTION IN DOHA AND THE MEASURES TAKEN TO PROMOTE GROWTH IN THE DEVELOPING COUNTRIES."

3. (SBU) GIVING DEFINITION TO URSO'S DEFENSE OF THE EU SAFEGUARDS, SANDRO FANELLA, COMMON COMMERCIAL POLICY OFFICE
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DIRECTOR AT THE DEPUTY MINISTRY FOR FOREIGN TRADE, TOLD ECONOFF ON APRIL 11 THAT THE SAFEGUARDS WOULD BE ACTIVATED ONLY FOR CATEGORIES OF STEEL FOR WHICH IMPORTS INCREASE IN 2002 TO LEVELS HIGHER THAN TEN PERCENT OF THE 1999-2001 YEARLY AVERAGE. DEFLECTING REFTTEL'S CRITICISM OF EU SAFEGUARDS AS UNSUPPORTED BY AN INJURY DETERMINATION OR IMPORT SURGE, FANELLA EXPLAINED THAT THE EU MEASURES HAD, IN THIS MANNER, A BUILT-IN SURGE SENSOR. ECONOFF REPLIED THAT THE SYSTEM AS DESCRIBED NEVERTHELESS APPEARS TO PRESUME INJURY RATHER THAN ADJUDICATING THE QUESTION.

4. (SBU) FANELLA WAS LESS EXPANSIVE ON POSSIBLE EU RETALIATION, SAYING HE IS AWAITING THE EU LEGAL OPINION OF THE SAFEGUARDS AGREEMENT. HE SAID HIS MINISTRY IS NOT SEPARATELY STUDYING THE AGREEMENT ON THE ARTICLES 8.2 AND 8.3 ISSUE. MORE GENERALLY, HE ALLEGED THAT THE USG "STARTED ALL THIS" WITH UNILATERAL ACTION AND, IN HIS VIEW, IS NOT WELL-POSITIONED TO BE COMPLAINING ABOUT COUNTERACTIONS. TO ECONOFF'S REFTTEL DEFENSE OF USG SAFEGUARDS AS SUPPORTED BY THE FINDINGS OF A NINE-MONTH ADJUDICATION, FANELLA SCOFFED THAT THE U.S. FINDINGS ON INJURY WERE "IMAGINATIVE."

5. (SBU) FANELLA SAID HIS MINISTRY HAS NOT BEEN BESIEGED BY ITALIAN INDUSTRY ABOUT THE U.S. SAFEGUARDS. INDUSTRY, HE SAID, IS LOOKING CLOSELY FOR ANY SIGN OF A STEEL IMPORT SURGE REFLECTING DIVERSION OF STEEL FROM THE U.S. MARKET BUT IS NOT PUSHING THE GOI TO ADVOCATE RETALIATION WITHIN THE EU. ECONOFF REPEATED REFTTEL DEMARCHE AT THE MFA AND AT THE MINISTRY OF PRODUCTIVE ACTIVITIES (NOW THE PARENT MINISTRY TO THE DEPUTY MINISTRY FOR FOREIGN TRADE) WHERE GOI OFFICIALS CONFIRMED THAT INDUSTRY IS WATCHING BUT NOT LOBBYING FOR A
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PARTICULAR GOI COURSE. THE ITALIAN PRESS CARRIES U.S. AND EU STEEL DEVELOPMENTS, BUT THE STORY IS NOW USUALLY RELEGATED TO INTERIOR PAGES.
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2002ROME01853 - Classification: UNCLASSIFIED